

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Express Mail
Express Mail Contract 13

Docket No. MC2013-32

Competitive Product Prices
Express Mail Contract 13
Negotiated Service Agreement

Docket No. CP2013-41
(MC2013-32)

PUBLIC REPRESENTATIVE COMMENTS
(January 22, 2013)

I. BACKGROUND

In response to Order No. 1622, the Public Representative hereby comments on the proposal of United States Postal Service (USPS or Postal Service) to add Express Mail Contract 13 to the competitive product list ("Request").¹ The Public Representative has examined the terms of the contract, supporting materials, and concludes that the Postal Service's Request comports with the provisions of title 39. The contract appears to be beneficial to the Postal Service, the contract partner, and the general public. The Public Representative recommends that, the Commission request future competitive contract filings to include estimates of volumes, revenues, and attributable costs for each year, not only the first year, of the contract. Doing so will increase the confidence of all parties that the product will recover its attributable costs over the life of the contract.

II. DISCUSSION

The Postal Service is requesting approval to add Express Mail Contract 13 to the competitive product list. The effective date of the contract would revert to January 1, 2013 upon Commission approval. The contract allows for volume-based discounts and other terms appropriate for Express Mail service.

¹ Request of the United States Postal Service to Add Express Mail Contract 13 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, January 11, 2013 (Request).

The Public Representative has examined the contract and supporting materials. He concludes that the Postal Service's Request comports with the provisions of title 39, and specifically will make a substantial contribution towards the recovery of the Postal Service's institutional cost. The contract also provides, among other contract terms, to the partner. Thus, the contract appears to be beneficial to the Postal Service, the contract partner, and the general public.

Based on the financial workpapers filed by the Postal Service it is very likely the contract will meet the requirements of 39 U.S.C 3633(a) during the first contract year. However, since the Postal Service did not file data on expected inflation rates for relevant cost segments, or expected volumes in years two and three of the contract, there is some risk that the coverage level will fall, especially since Express Mail volumes have declined since 2008. However, the Public Representative expects that the contract will meet the requirements of 39 U.S.C. 3633(a) in years 2 and 3 of the contract, as well, because:

- either party may terminate the contract if they provide the other party with 30 days calendar notice,
- other Express Mail NSAs have earned revenues significantly above attributable costs, the contribution per piece of Express Mail in general is at the highest level since 2008, and,
- the Postal Service will file cost, revenue and volume data in each year's Annual Compliance Report.

III. CONCLUSION

After reviewing the financial information and other materials the Postal Service submitted under seal in this case, the Public Representative concludes that Express Mail Contract 13 comports with the relevant provisions of title 39 and should be approved. The Public Representative also recommends the Commission request future competitive contract filings to include estimates of volumes, revenues and attributable costs for each year, not only the first year, of the contract.

Respectfully submitted,

_____/s
Lawrence Fenster
Public Representative for
Docket Nos. MC2013-32 & CP2013-41